

**MISSOURI PUBLIC ENTITY  
RISK MANAGEMENT FUND**

FINANCIAL STATEMENTS WITH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AND INDEPENDENT AUDITOR'S REPORT

**DECEMBER 31, 2014**

## TABLE OF CONTENTS

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	<u>Page</u>
<b>Independent Auditor's Report</b> .....	1
<b>Management's Discussion and Analysis</b> .....	3
<b>Basic Financial Statements</b>	
Statements of Net Position.....	10
Statements of Revenues, Expenses and Changes in Net Position .....	11
Statements of Cash Flows.....	12
Notes to Financial Statements .....	13
<b>Required Supplemental Information</b>	
Supplemental Schedule of 2005 – 2014 Loss Development Information.....	25
Reconciliation of Claims Liabilities by Type of Contract.....	27

## Independent Auditor's Report

Board of Trustees  
Missouri Public Entity Risk Management Fund  
Jefferson City, Missouri

### Report on the Financial Statements

We have audited the accompanying basic financial statements of Missouri Public Entity Risk Management Fund ("MOPERM"), which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MOPERM as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Required Supplemental Information**

United States of America generally accepted accounting principles require management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with generally accepted auditing standards in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Brown Smith Wallace, LLC*

St. Louis, Missouri  
March 6, 2015

## **MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management of the Missouri Public Entity Risk Management Fund ("MOPERM") offers this narrative overview and analysis of the financial activities of MOPERM for the years ended December 31, 2014 and 2013. We encourage readers to consider the information presented here in conjunction with MOPERM's financial statements and notes to the financial statements to enhance their understanding of MOPERM's financial performance.

### **Fund Accounting**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. MOPERM, a corporate and political body created by the Missouri General Assembly, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. MOPERM is considered to be a related party but not a component unit of the State of Missouri. There are three categories available for governmental accounting: governmental funds, proprietary funds, and fiduciary funds. MOPERM's funds are considered proprietary funds.

### **Proprietary Funds**

Proprietary funds account for governmental operations that are designed to be self-supporting from fees charged to consumers for the provision of goods and services or where the government has decided that the periodic determination of revenues, expenses, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounting and financial reporting practices of proprietary funds are similar to those used for business enterprises and focus on capital maintenance and the flow of economic resources through the use of accrual accounting. Of the two types of proprietary funds, MOPERM maintains one type: enterprise fund. MOPERM's purpose is to provide liability and property coverage to participating public entities, their officials, and employees.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to MOPERM's financial statements. Typically, government financial statements would be presented as three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. However, as MOPERM uses only proprietary funds, which present financial statement information in the same manner as government-wide financial statements only with more detail; we do not present government-wide financial statements as the information would be repetitive.

## **Overview of the Financial Statements (Continued)**

The financial statements, in addition to management's discussion and analysis, are comprised of the statements of net position; the statements of revenues, expenses and changes in net position; the statements of cash flows, and the notes to financial statements. The financial statements are prepared on the accrual basis in accordance with U.S. generally accepted accounting principles applicable to governmental enterprise funds.

The statement of net position presents MOPERM's financial position as of year-end. Information is displayed on assets and liabilities, with the difference between the two reported as net position. The net position of MOPERM reflect the resources available as of the end of the year to pay claims of participants when due. Over time, increases and decreases in net position measure whether MOPERM's financial position is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information detailing the revenues and expenses that resulted in the change in net position that occurred during the current year. All revenues and expenses are reported on an accrual basis. This means that the revenue or expense is recognized as soon as the underlying event giving rise to the change occurs, regardless of when the actual cash is received or paid. Thus, revenues and expenses are reported in this statement for transactions that will not result in cash flows until future periods. For example, contributions due from a public entity, even though not yet paid by year end, will be reflected as revenue. Likewise, claims that occurred during the year under self-insured plans will be reflected as an expense, whether or not they have been paid as of the end of the year.

The statement of cash flows presents the cash provided and used by MOPERM categorized by operating activities, noncapital financing activities, capital and related financing activities, and investing activities. It reconciles the beginning and end of year cash balances contained in the statement of net position. The effects of accrual accounting and noncash activities, such as depreciation, are adjusted to supplement the presentation in the statements of revenues, expenses and changes in net position.

The notes to financial statements follow the basic financial statements and provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the financial statements and accompanying notes, required supplementary information is presented illustrating MOPERM's past 10 years of earned revenues and investment income compared to related costs of loss and other expenses incurred by MOPERM.

## Financial Analysis

The following tables present the summarized financial position and results of operations for the years ended December 31, 2014, 2013, and 2012. Additional details are available in the accompanying financial statements.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>			
Cash and investments	\$ 123,328,989	\$ 119,380,867	\$ 116,241,205
Receivables	468,421	480,625	446,089
Capital assets	1,134,681	1,281,787	1,412,959
Other	8,750	18,164	16,190
Total assets	<u>\$ 124,940,841</u>	<u>\$ 121,161,443</u>	<u>\$ 118,136,443</u>
<b>LIABILITIES</b>			
Loss and loss adjustment expense	\$ 46,295,926	\$ 48,828,574	\$ 48,767,586
Other	12,942,867	12,514,874	9,143,591
Total Liabilities	59,238,793	61,343,448	57,911,177
<b>NET POSITION</b>			
Net investment in capital assets	1,134,681	1,281,787	1,412,959
Unrestricted	64,567,367	58,536,208	58,812,307
Total net position	<u>65,702,048</u>	<u>59,817,995</u>	<u>60,225,266</u>
Total liabilities and net position	<u>\$ 124,940,841</u>	<u>\$ 121,161,443</u>	<u>\$ 118,136,443</u>

MOPERM was established to offer liability protection to participating public entities, their officials, and employees. MOPERM has been successfully providing member entities with broad coverages at stable and economical rates. In 2003, MOPERM's Board of Trustees approved the offering of property insurance coverage to its members. MOPERM increased its overall membership by 27, 12, and 5 members in 2014, 2013, and 2012, respectively. With the net increase in members, MOPERM picked up about \$1.16 million in contribution in 2014 as compared to an increase of \$1.7 million in 2013 and \$347,000 in 2012. Total assets have increased during 2014, 2013, and 2012 by approximately \$4 million, \$3 million, and \$1.5 million, respectively. Cash and investments increased the past three years: \$3.9 million in 2014, \$3.1 million in 2013, and \$1.8 million in 2012. Capital assets decreased in 2014 and 2013. Old software was disposed and numerous old file cabinets were sold. Receivables decreased in 2014 by approximately \$12,000, as a result of a reduction in accrued interest receivable. In 2013, receivables increased by approximately \$15,000 with the majority of the increase due to the increase in accrued interest receivable and deductible billing receivables.

## Financial Analysis (Continued)

- Total liabilities decreased by \$2 million in 2014 with the biggest decrease in loss and loss adjustment expenses (as a result of re-estimation of IBNR). In addition, there were several large claims paid out in 2014. Total liabilities increased by \$3.4 million in 2013 with the most significant increases in contributions collected in advance and the retro return reserve refund payable. Total liabilities decreased by \$2.1 million in 2012, mainly in loss and loss adjustment expenses. The decrease in 2012 was primarily the reduction in IBNR for several of the older policy years where all claims had been settled and closed. MOPERM reserves 75% of annual liability contributions to pay claims. This percentage conservatively reflects past claims history. This reserve is reviewed annually by an independent actuary. MOPERM has no long-term debt.
- The change in total net position for 2014 increased by approximately \$6 million. In 2014, MOPERM had a change in net position of approximately \$7.2 million. In 2013, total net position decreased by approximately \$400,000. Changes in net position for 2012 increased by \$4.7 million. Operating income fluctuates year to year but remains relatively stable. The main factor affecting the change in net position is the unrealized gain and loss on investments. Since its inception, MOPERM has refunded approximately \$10 million of contributions to the participating members. MOPERM's Board of Trustees declared a refund in 2014, 2013, and 2012 for \$1,284,579, \$1,106,980, and \$703,447, respectively.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>REVENUES</b>			
Contributions	\$ 19,527,205	\$ 18,365,214	\$ 16,662,710
Investment income	2,252,346	2,037,141	2,646,677
Other income (expense)	<u>539</u>	<u>12</u>	<u>7,847</u>
Total operating revenues	21,780,090	20,402,367	19,317,234
<b>EXPENSES</b>			
Loss and loss adjustment expense	12,147,539	10,703,634	10,298,997
Excess insurance premiums	1,852,432	1,744,482	1,639,866
General and administrative	<u>2,962,782</u>	<u>2,669,851</u>	<u>2,489,258</u>
Total operating expenses	<u>16,962,753</u>	<u>15,117,967</u>	<u>14,428,121</u>
Operating income	4,817,337	5,284,400	4,889,113
Nonoperating revenue (expenses):			
Unrealized gain (loss) on investments	<u>2,334,164</u>	<u>(4,600,409)</u>	<u>(164,113)</u>
Changes in net position	7,151,501	683,991	4,725,000
Total net position beginning of year	<u>59,817,995</u>	<u>60,225,266</u>	<u>56,158,141</u>
Refunds to members, net refunds returned	<u>(1,267,448)</u>	<u>(1,091,262)</u>	<u>(657,875)</u>
Total net position, end of year	<u>\$ 65,702,048</u>	<u>\$ 59,817,995</u>	<u>\$ 60,225,266</u>



## Financial Analysis (Continued)

- In 2014, contributions increased by \$1.2 million. Liability contribution increased by \$627,000 and property contribution increased by \$535,000. This increase was the result of the 27 new members joining the fund. There was an increase in contribution earned in 2013 of approximately \$1.7 million. Liability and property contributions increased in 2013 by \$961,000 and \$742,000, respectively. This increase was the result of new members and a rate increase to base rates for both the liability and property programs. MOPERM had an increase in contributions earned during 2012 due to a minimal increase in liability contribution of \$37,000 with the majority of the increase to property contribution of \$310,000. Several liability-only members added property coverage and there were several new counties written as well.
- In 2014, MOPERM contracted with a new investment advisor. The advisor suggested allocating the funds into three asset classes and recommended investing those classes in instruments according to the maximum sector allocation, maturity, and credit quality limits set for each asset class. This transition took place in October 2014 with \$112 million invested between the three asset classes. In 2013 and 2012, MOPERM invested approximately \$112 million and \$114 million, respectively, primarily in U.S. government agency securities with final maturities of seven years or less, U.S. government guaranteed mortgages, and collateralized mortgage obligations. Investment income consists of interest income, amortization of premium and discounts, and realized gains and losses on securities. In 2014, investment income increased by \$215,000 and MOPERM ended the year with a \$2.3 million unrealized gain on investments. In 2013 and 2012, investment income decreased by approximately \$610,000 and \$405,000, respectively, due to the volatile markets and lower interest rates on new purchases of investment in the portfolio. Because of the changes in the investment market, MOPERM experienced an unrealized loss on investments for 2013 and 2012 of \$4.6 million and \$164,000, respectively.
- Net loss and loss adjustment expenses increased by \$1.4 million in 2014. Loss and loss expenses paid for 2014 was approximately \$3.9 million more than 2013. There were several large claims paid during 2014 and several new large claims reserved. Loss and loss adjustment expenses increased by approximately \$405,000 in 2013 and decreased \$774,000 in 2012. Total loss and loss adjustment expenses paid in 2013 decreased by approximately \$1.7 million. In 2012, MOPERM paid approximately \$1.5 million more in net loss and loss adjustment expenses. The increases and decreases in net loss and loss adjustment expenses consisted of actual paid claims and the change in case and IBNR reserves.
- Excess insurance premiums increased by \$108,000, \$105,000 and \$193,000 in 2014, 2013, and 2012, respectively. Excess rates decreased slightly in 2014 and 2013, but the property membership increased, increasing the amount of total insured value. Excess rates increased in 2012 as well as the property membership. The excess insurance ceded premium for property increases/decreases as members are added, non-renewed, and/or cancelled.

## **Financial Analysis (Continued)**

- General and administrative expenses approximated 15.2% and 14.5% of total contributions earned for 2014 and 2013, respectively. The increase in expenses is due to increase in salaries, employee benefit cost, travel, maintenance services, accounting/investment services, and commission expense. Commission expense comprises approximately 50% of total general and administrative expenses.

## **Financial Summary**

In 2014, MOPERM had an increase in its overall membership and an increase of \$1.2 million in contributions. MOPERM had no change to the liability or property base rates. There were a total of 906 entities that contributed to the pool in 2014 compared to 880 participating members in 2013. In 2014, the only significant change in MOPERM's competition was the withdrawal of State Farm from the school bus fleet market. MOPERM wrote approximately 43% of the business that was quoted (a rate which has remained fairly constant over the past three years), and most of the entities that declined MOPERM's quote chose to renew with their current carriers. No new companies have entered the market for Missouri public entities.

MOPERM had net income of \$7.2 million for 2014 and paid a refund of retro return reserves in April 2014 of approximately \$1.1 million. The Board of Trustees declared another refund of approximately \$1.2 million in 2014 to be paid in April 2015. General and administrative expenses increased slightly in 2014. Total net position increased by approximately \$5.9 million in 2014, totaling approximately \$66 million at December 31, 2014. Net income for 2014 was greatly impacted by the unrealized gain on investments of approximately \$2.3 million.

## **Economic Environment and Next Year's Budget and Rates**

Since 1987, MOPERM has been a competitive alternative for local government agencies seeking to manage rising coverage costs against growing exposures and tight budgets. Rates are analyzed by an actuary each year and rate recommendations are made to management. Management analyzes the actuary's rate recommendations and suggests rate changes based on actual loss experience and the current insurance market.

The 2015 estimated contribution remained consistent with a slight increase compared to the final 2014 contribution amount. The increase was made with the anticipation of retaining most of our current members and adding new members to make up for any contributions lost from non-renewals. There were no suggested rate increases in base rates for the liability or property program. Total loss and loss adjustment expenses are budgeted to increase approximately 4% in 2015. General and administrative expenses are budgeted for a 2% increase as well. For 2015, there is a decrease in property excess rates with no change to MOPERM's base rates. The total of general and administrative expenses and excess insurance premiums are approximately 25% of total budgeted contribution. The loss and loss adjustment expenses percentage remains constant at approximately 75% of budgeted liability contribution each year.

**Contacting MOPERM's Financial Management**

This financial report is designed to provide our members and the public with a general overview of MOPERM's finances and to demonstrate MOPERM's accountability for the contribution it receives. If you have questions about this report or need additional financial information, contact the Fiscal Manager, Cathy Schulte, at P.O. Box 7110, Jefferson City, MO 65102, (573)751-1266 ext. 114 or e-mail [Cathy-Schulte@moperm.com](mailto:Cathy-Schulte@moperm.com).

# MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

## Statements of Net Position

December 31, 2014 and 2013

	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 12,257,140	\$ 7,274,039
Short-term investments	8,639,118	6,415,108
Deposits and accounts receivable other than contributions	111,778	92,378
Accrued interest receivable	352,014	377,997
Contributions in the course of collection	4,629	10,250
Prepaid expenses	8,750	18,164
<b>Total Current Assets</b>	<b>21,373,429</b>	<b>14,187,936</b>
<b>Noncurrent Assets</b>		
Long-term investments, at fair value	102,432,731	105,691,720
Capital assets (net of accumulated depreciation of \$873,907 in 2014 and \$1,733,743 in 2013)	1,134,681	1,281,787
<b>Total Noncurrent Assets</b>	<b>103,567,412</b>	<b>106,973,507</b>
<b>TOTAL ASSETS</b>	<b>\$ 124,940,841</b>	<b>\$ 121,161,443</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Advance contributions	\$ 11,397,446	\$ 11,244,759
Retro return reserve refunds payable	1,284,579	1,106,980
Accounts payable and accrued expense	260,842	163,135
<b>Total Current Liabilities</b>	<b>12,942,867</b>	<b>12,514,874</b>
<b>Noncurrent Liabilities</b>		
Loss and loss adjustment expense reserves	46,295,926	48,828,574
<b>TOTAL LIABILITIES</b>	<b>59,238,793</b>	<b>61,343,448</b>
<b>Net Position</b>		
Net investment in capital assets	1,134,681	1,281,787
Unrestricted	64,567,367	58,536,208
<b>Total Net Position</b>	<b>65,702,048</b>	<b>59,817,995</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 124,940,841</b>	<b>\$ 121,161,443</b>

The accompanying notes are an integral part of these financial statements.

## MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

### Statements of Revenues, Expenses and Changes in Net Position

Years ended December 31, 2014 and 2013

	2014	2013
<b>Revenues</b>		
Contributions	\$ 19,527,205	\$ 18,365,214
Investment income	2,252,346	2,037,141
Other income	539	12
<b>Total operating revenues</b>	<b>21,780,090</b>	<b>20,402,367</b>
<b>Expenses</b>		
Losses and loss adjustment expenses	12,147,539	10,703,634
Excess insurance premiums	1,852,432	1,744,482
General and administrative	2,962,782	2,669,851
<b>Total operating expenses</b>	<b>16,962,753</b>	<b>15,117,967</b>
<b>Operating income</b>	<b>4,817,337</b>	<b>5,284,400</b>
<b>Nonoperating expenses</b>		
Unrealized gain (loss) on investments	2,334,164	(4,600,409)
<b>Change in net position</b>	<b>7,151,501</b>	<b>683,991</b>
<b>Total net position, beginning of year</b>	<b>59,817,995</b>	<b>60,225,266</b>
<b>Refunds to members, net of refunds returned</b>	<b>(1,267,448)</b>	<b>(1,091,262)</b>
<b>Total net position, end of year</b>	<b>\$ 65,702,048</b>	<b>\$ 59,817,995</b>

The accompanying notes are an integral part of these financial statements.

# MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

## Statements of Cash Flows

Years ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Contributions collected	\$ 19,685,513	\$ 21,309,483
Loss and loss adjustment expenses paid	(14,699,587)	(10,663,217)
Payments to suppliers and excess insurer	(3,870,274)	(3,602,294)
Payments to employees	(680,395)	(626,310)
Investment income received	2,231,899	2,089,859
Other income	539	12
Net cash provided by operating activities	2,667,695	8,507,533
Cash flows used in non-capital financing activities:		
Refunds paid to members	(1,089,849)	(687,729)
Cash flows used in capital and related financing activities:		
Purchases of capital assets	(10,318)	(8,811)
Cash flows from investing activities:		
Proceeds from matured investments	38,636,216	36,851,861
Investments purchased	(35,220,643)	(39,925,928)
Net cash provided by (used in) investing activities	3,415,573	(3,074,067)
Change in cash and cash equivalents	4,983,101	4,736,926
Cash and cash equivalents, beginning of year	7,274,039	2,537,113
Cash and cash equivalents, end of year	\$ 12,257,140	\$ 7,274,039
Reconciliation of net operating income to net cash provided by operating activities:		
Net operating income	\$ 4,817,337	\$ 5,284,400
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	157,425	139,982
Accretion of discounts and amortization of premiums, net	67,816	229,132
Realized gain on investments	(114,247)	(158,209)
Changes in certain assets and liabilities:		
(Increase) in deposits and accounts receivable other than contributions	(19,399)	(20,571)
(Increase) decrease in accrued interest receivable	25,983	(18,205)
Decrease in contributions in course of collection	5,621	24,240
(Increase) decrease in prepaid expenses	9,414	(1,974)
Increase (decrease) in loss and loss adjustment expense reserves	(2,532,648)	60,988
Increase in advance contributions	152,686	2,920,029
Increase in accounts payable and accrued expenses	97,707	47,721
Net adjustments	(2,149,642)	3,223,133
Net cash provided by operating activities	\$ 2,667,695	\$ 8,507,533
Schedule of noncash investing, capital, and financing activities:		
Increase (decrease) in fair value of investments	\$ 2,334,164	\$ (4,600,409)

The accompanying notes are an integral part of these financial statements.

## Basic Financial Statements

# MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

## Notes to Financial Statements

December 31, 2014 and 2013

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### **Note A - Reporting Entity**

The Missouri Public Entity Risk Management Fund (“MOPERM”) is a body corporate and politic created by the Missouri General Assembly and signed into law on June 20, 1986. MOPERM became operational January 1, 1987. Although the State of Missouri is responsible for appointing some of the members of the Board of Trustees, the State’s accountability does not extend beyond these appointments. Accordingly, MOPERM is considered a related organization of the State of Missouri but is not considered a component unit.

The purpose of MOPERM, as established in Chapter 537.700 RSMo 1986 and in the bylaws, is to provide liability protection to participating public entities, their officials and employees. Effective July 1, 2003, MOPERM added property coverage to its services offered to such participating members. MOPERM had a total of 906 and 880 contributors, including cities, counties, healthcare entities and school districts, as of December 31, 2014 and 2013, respectively.

MOPERM uses only proprietary funds, which present financial statement information in the same manner as government-wide financial statements only with more detail. Government-wide financial statements are not presented as such information would be repetitive.

### **Note B - Basis of Accounting Summary of Significant Accounting Policies**

#### **Basis of Accounting**

MOPERM prepares its financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles for governmental enterprise funds. These principles are similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses when incurred.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on deposit, overnight repurchase agreements (“Investaccount-Government” securities), money market index funds (“Government Obligation Fund-Money Market”), and investments with original maturities of three months or less. All cash on deposit is insured by federal depository insurance or collateralized by securities held by the counter party financial institution’s trust department or agent in MOPERM’s name. The carrying amounts reported in the statements of net position approximate the fair value of these instruments.



# MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

## Notes to Financial Statements - Continued

December 31, 2014 and 2013

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### Note B - Basis of Accounting Summary of Significant Accounting Policies (Continued)

#### Investments

MOPERM reports investments as trading assets at fair value, with the changes in fair value reported in the statements of revenues, expenses and changes in net position. The estimated fair value of fixed maturity investments is based on quoted market prices. Interest income is recorded when earned. Realized gains and losses on investments are determined using the specific identification method.

#### Capital Assets

Capital assets are stated at cost, less accumulated depreciation. Improvements are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Realized gains and losses are recognized upon disposal or retirement of the related assets and are reflected in current operations.

Depreciation is calculated on a straight-line basis over the following estimated useful lives of the respective assets:

	<u>Depreciable Life</u>
Automobiles	3 years
Computer equipment and software	3-5 years
Equipment	5 years
Furniture and fixtures and building improvements	5-10 years
Building	40 years

#### Equity Classifications

Net position represents the difference between assets and liabilities. MOPERM reports three categories of net position, as follows:

***Net investment in capital assets*** - Consists of net capital assets.

***Restricted net position*** - Net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. MOPERM does not have restricted net position as of December 31, 2014 and 2013.

***Unrestricted net position*** - Consists of all other net position that does not meet the definition of the above two components and is available for general use by MOPERM. MOPERM considers unrestricted net position as retro return reserves. MOPERM has designated unrestricted net position for catastrophic reserves in the amount of \$36,218,612 and \$34,627,523 as of December 31, 2014 and 2013, respectively.

# MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

## Notes to Financial Statements - Continued

December 31, 2014 and 2013

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### Note B - Basis of Accounting Summary of Significant Accounting Policies (Continued)

#### **Contributions**

Contributions are recognized as revenue over their related policy period. Advance contributions represent contributions received in the current year for policies effective the following year. No unearned contribution is reflected at year-end as all policies expire on December 31.

Annual contributions are determined based on actuarial projections to produce sufficient funds to pay losses, loss adjustment expense and general and administrative expenses. If contributions do not produce sufficient funds to meet obligations, MOPERM is empowered to make special assessments. Members are jointly and severally liable for claims against MOPERM. No special assessments were made during either 2014 or 2013.

#### **Accounts Receivable**

Accounts receivable are recorded at net realizable value. Management has evaluated all receivable balances for collectability and determined no estimate or allowance for uncollectable accounts is necessary.

#### **Retro Return Reserve Refunds**

If collected contributions and interest income exceed the total amount of all paid claims, claim expenses, operating expenses, and the catastrophic retro return reserves allocation in any given year, the Board of Trustees may declare that a refund of the excess amount be made. The refund shall be on a pro rata basis to all participating public entities based on the contributions of the public entity for the immediately preceding year. Unless otherwise determined by the Board of Trustees, no refund will be made until all claims are closed and the appropriate statute of limitations has expired for that policy year. Refunds are recorded in the year declared.

#### **Loss and Loss Adjustment Expense Reserves**

Loss and loss adjustment expenses are charged to income as incurred. Loss and loss adjustment expense reserves represent the accumulation of estimates for reported unpaid losses including loss adjustment expenses, the effects of inflation and other societal and economic factors, plus a provision for losses incurred but not reported, and are reported net of amounts recoverable and receivable from excess loss providers. Loss adjustment expenses represent anticipated costs of settling claims, including attorneys' and adjusters' fees. The reserves for incurred but not reported loss and loss adjustment expenses are actuarially determined and based on a computation that applies varying percentages to each policy year's earned contributions, less cumulative claims paid and reported unpaid loss reserves within the statement of net position.

# MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

## Notes to Financial Statements - Continued

December 31, 2014 and 2013

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### Note B - Basis of Accounting Summary of Significant Accounting Policies (Continued)

#### **Loss and Loss Adjustment Expense Reserves (Continued)**

The methods for making such estimates and for establishing the resulting liability are continually reviewed by management and MOPERM's independent actuary and any adjustments are reflected in earnings.

#### **Designated Catastrophic Reserves**

The designated catastrophic reserves are funds designated by the Board of Trustees to cover catastrophic losses incurred by MOPERM for any policy year. The balances at December 31 for policy years 2006 through 2010 is equivalent to 10% of the earned contribution and 15% of the earned contribution for all policy years since MOPERM's inception minus \$1,545,447 for policy year 2002; plus any undesignated retro return reserves of a policy year that is twenty years old. The total of these reserves at December 31, 2014 and 2013 is \$(26,626) and \$5,780 respectively. During 2005, the Board of Trustees approved the transfer of the catastrophic reserves for policy year 2002 to the Undesignated Retro Return Reserves. If losses in any policy year exceed total contributions and designated catastrophic reserves, additional assessments could be made to applicable members for the policy year the losses occurred.

#### **Operating and Non-operating Income and Expenses**

All revenues and expenses, except the unrealized gain or loss on investments, are considered operating. Investment income is considered operating revenue.

#### **Income Taxes**

MOPERM is exempt from federal income tax in accordance with Section 115 of the Internal Revenue Code (IRC).

MOPERM has implemented the accounting guidance for uncertainty in income taxes using the provisions of FASB ASC 740, Income Taxes. The adoption of FASB ASC 740 did not have a material impact on the MOPERM's financial statements. MOPERM has concluded that there are no significant uncertain tax positions requiring disclosure. Tax years that remain subject to examination are the years ended December 31, 2011 through 2014. MOPERM continues to evaluate its tax exempt status in relation to FASB ASC 740.

# MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

## Notes to Financial Statements - Continued

December 31, 2014 and 2013

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### Note B - Basis of Accounting Summary of Significant Accounting Policies (Continued)

#### Management's Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### Subsequent Events

MOPERM evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through March 6, 2015, which is the date the financial statements were available to be issued.

#### Reclassifications

Certain reclassifications were made to the prior year financial statement presentation to conform to the current year presentation.

### Note C - Deposits and Investments

#### Deposits

Cash balances include short-term securities and operating balances held by financial institutions. At December 31, 2014 and 2013, the carrying amount of deposits at the financial institutions was \$(452,816) and \$(256,047), the bank balance was \$67,151 and \$369,191, respectively. Of the bank balance, \$250,000 was covered by federal depository insurance at December 31, 2014 and 2013.

# MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

## Notes to Financial Statements - Continued

December 31, 2014 and 2013

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### Note C - Deposits and Investments (Continued)

#### Investment Policies

MOPERM has adopted an investment policy that is reviewed and approved by the Board of Trustees. During 2014, MOPERM's Board of Trustees amended the existing investment policy to reduce the limitations of permissible investments, under the management of its investment advisor.

#### Investment Summary

The following table presents the summary of MOPERM'S investments by type at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Investaccount-Government	\$ 1,940,885	\$ 7,530,087
Government Obligation Fund-Money Market	10,269,347	-
Commercial Paper	4,996,810	-
U.S. Agencies	67,806,134	79,969,867
U.S. Treasury Bills	-	5,500,010
U.S. Government Guaranteed Mortgages	36,352,501	13,051,645
Collateralized Mortgage Obligations	430,713	13,585,306
Supra-National Agency Bond/Note	1,985,416	-
	<u>\$ 123,781,806</u>	<u>\$ 119,636,915</u>

The following securities are classified as cash and cash equivalents in the statements of net position; however, are disclosed as investments subject to custodial credit, concentration of credit, interest rate, and foreign currency risks.

	<u>2014</u>	<u>2013</u>
Investaccount-Government	\$ 1,940,885	\$ 7,530,087
Government Obligation Fund-Money Market	10,269,347	-
Commercial Paper	499,725	-
	<u>\$ 12,709,957</u>	<u>\$ 7,530,087</u>

# MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

## Notes to Financial Statements - Continued

December 31, 2014 and 2013

### Note C - Deposits and Investments (Continued)

#### Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, MOPERM would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, not registered in MOPERM's name, and held by the counterparty. The Investaccount-Government was collateralized by securities delivered to a third party institution mutually agreed upon by the financial institution and MOPERM. MOPERM's other investments are not exposed to custodial credit risk.

#### Concentration of Credit Risk

There is potential concentration of credit risk if more than five percent (5%) of the entity's investments are with any one issuer. The following investments are considered exposed to concentration of credit risk as of December 31, 2014 and 2013:

	2014		2013	
	<u>Amount</u>	<u>% of Portfolio</u>	<u>Amount</u>	<u>% of Portfolio</u>
Federal Home Loan Bank	\$ 24,792,829	22.22	\$ 29,174,167	26.02
Federal National Mortgage Association	13,357,686	11.97	17,269,825	15.40
Federal Home Loan Mortgage Corporation	23,075,179	20.68	14,574,865	13.00
Federal Farm Credit	15,210,408	13.63	11,989,975	10.70
Federal Home Loan Mortgage Corporation- Collateralized Mortgage Obligations	-	-	6,586,716	5.88
Federal National Mortgage Association- Mortgage Backed Securities	15,514,120	13.91	11,253,057	10.04

Such concentrations are permitted by MOPERM's investment Policy.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of a debt instrument's exposure to a change in interest rates and the related sensitivity of market price to parallel shifts in the yield curve. It uses the present value of cash flows, weighted for those cash flows as a percentage of the instrument's full price. MOPERM mitigates interest rate risk through the duration of investments outlined in its investment policy.

# MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

## Notes to Financial Statements - Continued

December 31, 2014 and 2013

### Note C - Deposits and Investments (Continued)

#### Foreign Currency Risk

MOPERM is exposed to foreign currency risks that arise from investments and deposits in foreign issues. MOPERM held \$1,985,420 in foreign issues as of December 31, 2014. MOPERM held no foreign investments or currency as of December 31, 2013.

#### Investment Maturity Schedule

Investments are reported at fair value. Investments that are purchased with less than 90 days maturity date are listed as "cash equivalents". As of December 31, 2014 and 2013, MOPERM's investment maturities consisted of the following:

<u>December 31, 2014</u>	<u>Rating</u>	<u>Less than one year</u>	<u>One to three years</u>	<u>Three to five years</u>	<u>Five to ten years</u>	<u>More than ten years</u>	<u>Total</u>
Investaccount-Government	N/A	\$ 1,940,885	\$ -	\$ -	\$ -	\$ -	\$ 1,940,885
Money Market-Government	N/A	10,269,347	-	-	-	-	10,269,347
Commercial Paper	A-1	4,996,810	-	-	-	-	4,996,810
U.S. Agencies	Aaa/AA+	4,142,033	7,678,483	30,400,952	25,584,666	-	67,806,134
Supra-National Agency Bond	Aaa/AAA	-	-	1,985,416	-	-	1,985,416
U.S. Government Guaranteed Mortgages	Aaa/AA+	-	-	3,434,138	5,221,130	27,697,233	36,352,501
Collateralized Mortgage Obligations	Aaa/AA+	-	-	-	430,713	-	430,713
		<u>\$ 21,349,075</u>	<u>\$ 7,678,483</u>	<u>\$ 35,820,506</u>	<u>\$ 31,236,509</u>	<u>\$ 27,697,233</u>	<u>\$ 123,781,806</u>

<u>December 31, 2013</u>	<u>Rating</u>	<u>Less than one year</u>	<u>One to three years</u>	<u>Three to five years</u>	<u>Five to ten years</u>	<u>More than ten years</u>	<u>Total</u>
Investaccount-Government	N/A	\$ 7,530,087	\$ -	\$ -	\$ -	\$ -	7,530,087
U.S. Agencies	Aaa/AA+	196,395	1,653,068	26,003,200	52,117,204	-	79,969,867
U.S. Treasury Bills	N/A	5,500,010	-	-	-	-	5,500,010
U.S. Government Guaranteed Mortgages	Aaa/AA+	15,190	-	7,185,977	5,850,478	-	13,051,645
Collateralized Mortgage Obligations	Aaa/AA+	703,513	614,852	5,228,301	7,038,640	-	13,585,306
		<u>\$ 13,945,195</u>	<u>\$ 2,267,920</u>	<u>\$ 38,417,478</u>	<u>\$ 65,006,322</u>	<u>\$ -</u>	<u>119,636,915</u>

# MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

## Notes to Financial Statements - Continued

December 31, 2014 and 2013

### Note C - Deposits and Investments (Continued)

#### Gains (Losses) on Investments

Net unrealized gains (losses) on investments classified as trading assets held at the reporting date were \$2,334,164 and (\$4,600,409) for the years ended December 31, 2014 and 2013, respectively. Net realized gains on assets sold or otherwise disposed of, and included within net investment income, amounted to \$114,247 in 2014 and \$158,209 in 2013.

### Note D - Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

Category	Balance at December 31, 2013	Additions	Deductions/ Transfers	Balance at December 31, 2014
<b>Capital assets, being depreciated</b>				
Building and building improvements	\$ 1,172,339	\$ -	\$ -	\$ 1,172,339
Equipment	26,318	-	-	26,318
Furniture and fixtures	104,551	4,871	5,254	104,168
Computer equipment and software	1,680,347	6,548	1,013,107	673,788
Automobiles	31,975	-	-	31,975
<b>Total capital assets, being depreciated</b>	<b>3,015,530</b>	<b>11,419</b>	<b>1,018,361</b>	<b>2,008,588</b>
<b>Less accumulated depreciation</b>	<b>1,733,743</b>	<b>(157,424)</b>	<b>1,017,260</b>	<b>873,907</b>
<b>Capital assets, net</b>	<b>\$ 1,281,787</b>	<b>\$ (146,005)</b>	<b>\$ 1,101</b>	<b>\$ 1,134,681</b>

Capital asset activity for the year ended December 31, 2013, was as follows:

Category	Balance at December 31, 2012	Additions	Deductions/ Transfers	Balance at December 31, 2013
<b>Capital assets, being depreciated</b>				
Building and building improvements	\$ 1,171,441	\$ 898	\$ -	\$ 1,172,339
Equipment	26,141	177	-	26,318
Furniture and fixtures	104,314	1,308	1,071	104,551
Computer equipment and software	1,674,072	6,418	143	1,680,347
Automobiles	31,975	-	-	31,975
<b>Total capital assets, being depreciated</b>	<b>3,007,943</b>	<b>8,801</b>	<b>1,214</b>	<b>3,015,530</b>
<b>Less accumulated depreciation</b>	<b>1,594,984</b>	<b>(139,982)</b>	<b>1,223</b>	<b>1,733,743</b>
<b>Capital assets, net</b>	<b>\$ 1,412,959</b>	<b>\$ (131,181)</b>	<b>\$ (9)</b>	<b>\$ 1,281,787</b>

Total depreciation expense for the years ended December 31, 2014 and 2013, was \$157,425 and \$139,982.



# MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

## Notes to Financial Statements - Continued

December 31, 2014 and 2013

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### Note E - Loss and Loss Adjustment Expense Reserves

Activity in the loss and loss adjustment expense reserves was as follows:

	<u>2014</u>	<u>2013</u>
Loss and loss adjustment expense reserves, beginning of year, net of reinsurance recoverable of \$215,073 in 2014 and \$260,631 in 2013	\$ 48,828,574	\$ 48,767,586
Incurred loss and loss adjustment expenses:		
Provision for insured events – current year	12,297,845	11,357,854
Provision for insured events – prior years	<u>(150,306)</u>	<u>(654,220)</u>
Total incurred loss and loss adjustment expenses	<u>12,147,539</u>	<u>10,703,634</u>
Payments:		
Loss and loss adjustment expenses attributable to insured events – current year	3,567,451	3,262,255
Loss and loss adjustment expenses attributable to insured events – prior years	<u>11,112,736</u>	<u>7,380,391</u>
Total payments	<u>14,680,187</u>	<u>10,642,646</u>
Loss and loss adjustment expenses reserves, end of year, net of reinsurance recoverable of \$201,060 in 2014 and \$215,073 in 2013	\$ <u>46,295,926</u>	\$ <u>48,828,574</u>

The provision for prior year insured events represents the variations between MOPERM's estimated claims payable for prior years' claims and the actual amounts required to satisfy such claims.

### Note F - General and Administrative Expenses

The most significant components of general and administrative expenses are salary, employee benefit, agent commission, and loss control services expenses. All employees administering MOPERM are employees of the State of Missouri and are covered by the Missouri State Employees' Retirement System. MOPERM reimburses the State of Missouri, a related organization, for all costs of administration, including salary costs of \$686,063 for 2014 and \$623,834 for 2013 and pension costs of \$113,332 for 2014 and \$97,025 for 2013. As of December 31, 2014 and 2013, payables due to the State of Missouri totaled \$127,178 and \$116,827, respectively. The State of Missouri's other post employment benefit package is subject to the measurement and disclosure requirements of GASB 45.

# MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

## Notes to Financial Statements - Continued

December 31, 2014 and 2013

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### Note F - General and Administrative Expenses (Continued)

Effective during the 2008 year, the amounts paid to the State of Missouri include a contribution allocation to reimburse the State for the funding of the post retirement health insurance liability. This liability is recognized in total by the State of Missouri. MOPERM's financial statements reflect their allocated share of funding requirement.

Agent commission expense totaled \$1,588,604 and \$1,456,793 for the years ended December 31, 2014 and 2013, respectively.

### Note G - Retro Return Reserve Refunds

The Board of Trustees of MOPERM declared retro return reserve refunds in the amount of \$1,284,579 and \$1,106,980 in 2014 and 2013. As of December 31, 2014, cumulative retro return reserve refunds were as follows:

<b>Policy Year</b>	<b>Refunds Declared and Paid Prior to 2013</b>	<b>Refunds Declared and Accrued During 2014</b>	<b>Refunds total Declared</b>	<b>Percentage of Contributions Refunded</b>
1987	\$ 1,391,082	\$ -	\$ 1,391,082	85%
1988	2,074,331	-	2,074,331	76%
1989	519,031	-	519,031	23%
1990	933,499	-	933,499	45%
1991	270,627	-	270,627	12%
1992	825,298	-	825,298	28%
1993	45,879	-	45,879	1%
1994	155,373	-	155,373	3%
1995	2,260,016	293,844	2,553,860	43%
1996	885,514	193,620	1,079,134	17%
1997	465,417	202,998	668,415	10%
1998	136,253	138,395	274,648	4%
1999	-	136,695	136,695	2%
2000	-	145,291	145,291	2%
2001	-	173,736	173,736	2%
	<u>\$ 9,962,320</u>	<u>\$ 1,284,579</u>	<u>\$ 11,246,899</u>	

# MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

## Notes to Financial Statements - Continued

December 31, 2014 and 2013

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### **Note H - Excess Insurance**

MOPERM maintains excess insurance coverage with outside insurance carriers for the property program. The property excess policy for 2014 and 2013 was placed with multiple carriers and they collectively provided coverage of \$200,000,000 for each occurrence, with MOPERM's retention per claim of \$100,000. For 2014 and 2013, the equipment breakdown excess policy, with Zurich American Insurance Company, provides coverage of \$50,000,000 for each occurrence with no annual aggregate and MOPERM had a \$10,000 deductible per occurrence. The crime excess policy, with Travelers Casualty and Surety of America, provides coverage of \$50,000 per occurrence and MOPERM's retention per occurrence was \$5,000 with no annual aggregate for both 2014 and 2013.

Since July 7, 2002, MOPERM has elected not to purchase an excess insurance policy for liability coverage.

### **Note I - Condominium Association**

On February 4, 2005, MOPERM purchased an office condominium in the Howerton Center Condominium. In conjunction with the purchase, MOPERM became a one-third member of The Howerton Center Condominium Association, Inc. (Corporation). The Corporation is a Mutual Benefit Corporation formed for the purpose of maintaining the common areas in The Howerton Center Condominium and performing all other duties set forth in the Declaration of Condominium. MOPERM previously contributed \$1,000 to the Corporation for operating funds. MOPERM is billed utilities, insurances and other expenditures by the Corporation as outlined in the Corporation's Condominium Declarations and Bylaws. MOPERM records such expenditures on the accrual basis of accounting as general and administrative expenses.

### **Note J - Contingencies**

MOPERM is a party to a number of lawsuits arising in the normal course of business. While the results of other litigation cannot be predicted with certainty, management, based upon advice of MOPERM's counsel, believes the final outcome of the other litigation will not have a material adverse effect on MOPERM's financial position or its results of operations.

## **Required Supplemental Information**

# MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

## Supplemental Schedule of 2005-2014 Loss Development Information

December 31, 2014

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The following page illustrates how MOPERM's earned revenues (net of excess insurance) and investment income compared to related costs of loss (net of loss assumed by excess insurers) and other expenses assumed by MOPERM for each of the ten years ended December 31, 2014. The rows of the table are defined as follows:

- (1) The total of each fiscal year's gross earned contribution revenues and investment revenues. Earned contribution revenue and investment revenue paid to excess insurers and earned contribution revenue and investment revenue net of the effects of excess reinsurance premiums.
- (2) Each fiscal year's other operating costs of MOPERM including overhead and claims expense not allocable to individual claims.
- (3) MOPERM's gross incurred losses and allocated loss adjustment expense, losses assumed by excess insurer and net incurred losses and allocated loss adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) The cumulative net amounts paid as of the end of successive years for each policy year.
- (5) The latest re-estimated amount of losses assumed by excess insurers as of the end of each year for each accident year.
- (6) Each policy years incurred losses increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known losses, re-evaluation of existing information on known losses, as well as the emergence of new losses not previously known.
- (7) Compares the latest re-estimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of loss cost are greater or less than originally thought. As data for individual policy years matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred losses currently recognized in less mature policy years. The columns of the table show data for successive policy years.

**MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND**
**Supplemental Schedule of 2005-2014 Loss Development Information, Continued**

Year ended December 31, 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Fiscal year ended:										
(1) Contribution and investment revenue:										
Earned	22,356,241	24,528,670	25,941,702	26,430,915	22,681,440	21,232,605	19,366,692	19,309,387	20,402,355	21,779,552
Ceded	(990,355)	(1,119,915)	(1,378,279)	(1,170,558)	(1,119,946)	(1,273,174)	(1,447,161)	(1,639,866)	(1,744,482)	(1,852,432)
Net earned	21,365,886	23,408,755	24,563,423	25,260,357	21,561,494	19,959,431	17,919,531	17,669,521	18,657,873	19,927,120
(2) Unallocated expenses	2,796,814	3,004,756	2,995,869	3,159,917	2,624,008	2,504,618	2,366,185	2,489,258	2,669,851	2,962,782
Policy year ended:										
(3) Contribution refunds, cumulative	-	-	-	-	-	-	-	-	-	-
(3) Estimated incurred loss and loss adjustment expense, end of policy year:										
Incurred	14,344,347	15,374,073	15,169,791	16,096,860	13,351,739	12,505,206	12,233,711	10,763,247	11,666,726	12,436,173
Ceded	(2,631)	(330,067)	(210,840)	(585,795)	(398,943)	(286,666)	(753,284)	(101,048)	(308,872)	(138,327)
Net incurred	14,341,716	15,044,007	14,958,951	15,511,065	12,952,795	12,218,540	11,480,427	10,662,199	11,357,854	12,297,846
(4) Net paid losses (cumulative) as of:										
End of policy year	2,360,924	2,850,824	2,660,991	3,244,802	2,734,679	3,126,561	5,385,430	2,954,358	2,953,383	3,429,124
One year later	3,296,373	3,743,592	4,181,825	5,138,156	4,311,864	5,182,373	7,166,940	4,088,118	4,271,256	-
Two years later	5,170,224	5,263,978	7,913,383	7,013,470	5,188,008	6,541,593	10,392,180	6,657,025	-	-
Three years later	8,501,426	6,520,461	9,531,422	8,082,239	8,445,272	7,880,273	14,727,920	-	-	-
Four years later	8,873,080	7,078,303	7,710,710	8,891,913	9,114,240	8,678,272	-	-	-	-
Five years later	9,680,258	7,493,188	11,468,727	9,578,358	9,446,530	-	-	-	-	-
Six years later	9,788,245	8,105,768	11,680,022	9,791,716	-	-	-	-	-	-
Seven years later	10,222,141	8,473,122	13,445,199	-	-	-	-	-	-	-
Eight years later	10,235,974	8,379,493	-	-	-	-	-	-	-	-
Nine years later	10,237,637	-	-	-	-	-	-	-	-	-
(5) Re-estimated ceded loss and loss adjustment expense	(37,479)	(830,436)	(294,168)	(1,017,820)	(732,765)	(334,886)	(1,266,160)	(273,511)	(558,925)	(138,327)
(6) Re-estimated incurred loss and loss adjustment expense:										
End of policy year	14,341,716	15,044,006	14,958,951	15,511,065	12,952,796	12,218,540	11,174,983	10,662,199	11,357,854	12,297,846
One year later	14,305,897	14,987,767	14,926,969	15,186,111	12,798,194	12,143,246	12,396,804	10,656,543	11,255,187	-
Two years later	14,288,296	14,969,152	14,913,686	15,226,953	12,798,195	12,145,377	14,399,011	10,654,114	-	-
Three years later	14,298,450	14,968,152	14,913,686	15,226,953	12,798,194	12,145,007	14,399,011	-	-	-
Four years later	14,298,450	14,976,799	14,913,686	15,226,953	12,798,195	12,143,487	-	-	-	-
Five years later	14,298,450	14,976,799	14,913,686	15,226,953	12,798,195	-	-	-	-	-
Six years later	14,298,450	14,976,799	14,913,686	15,226,953	-	-	-	-	-	-
Seven years later	14,298,450	14,976,799	14,913,686	-	-	-	-	-	-	-
Eight years later	14,298,450	14,976,799	-	-	-	-	-	-	-	-
Nine years later	14,298,450	-	-	-	-	-	-	-	-	-
(7) Increase (decrease) in estimated incurred losses and loss of adjustment expenses from end of policy year	(43,266)	(67,207)	(45,265)	(284,112)	(154,601)	(75,053)	3,224,028	(8,085)	(102,667)	-

# MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

## Reconciliation of Claims Liabilities by Type of Contract

Years ended December 31, 2014 and 2013

The schedule below presents the changes in claims liabilities for the past two years for the fund's two types of contracts: Liability and Property

	Liability		Property	
	2014	2013	2014	2013
Loss and loss adjustment expense reserves, beginning of year	\$ 48,681,526	\$ 48,382,675	\$ 147,048	\$ 384,911
Incurred loss and loss adjustment expenses:				
Provision for insured events - current year	11,026,548	10,556,411	1,271,297	801,443
Provision for insured events - prior year	(43,692)	(623,386)	(106,614)	(30,834)
Total incurred loss and loss adjustment expenses	10,982,856	9,933,025	1,164,683	770,609
Payments:				
Loss and loss adjustment expenses attributable to insured events - current year	2,333,743	2,295,099	1,233,708	967,156
Loss and loss adjustment expenses attributable to insured events - prior years	11,210,630	7,339,075	(97,894)	41,316
Total payments	13,544,373	9,634,174	1,135,814	1,008,472
Loss and loss adjustment expense reserves, end of year	\$ 46,120,009	\$ 48,681,526	\$ 175,917	\$ 147,048